

## Message Text

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PAGE 01 STATE 241199  
ORIGIN OPIC-06

INFO OCT-01 ARA-14 ISO-00 EB-08 L-03 TRSE-00 IGA-02  
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APPROVED BY EB/IFD: OIA: MPBOERNER  
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ARA/AND:RSTEVEN (SUBS)  
-----019602 081856Z /43  
R 071439Z OCT 77  
FM SECSTATE WASHDC  
TO AMEMBASSY SANTIAGO

UNCLAS STATE 241199

FROM OPIC

E.O. 11652: N/A

TAGS: EINV

SUBJECT: OPIC CLAIMS SETTLEMENT - TWO BANK OF  
AMERICA LOANS (CHILE)

1. SUMMARY. OPIC IS PRESENTLY CONCLUDING ARRANGEMENTS  
WITH BANK OF AMERICA AND THE GOVERNMENT OF CHILE WITH  
RESPECT TO THE OFFICIAL ASSUMPTION BY THE GOC AND RESCHEDUL-  
ING OF TWO LOANS ORIGINALLY MADE BY BANK OF AMERICA TO  
INDUSTRIAS DE CELULOSAS ARAUCO, S.A. ("ARAUCO") AND  
PETROQUIMICA DOW, S.A. ("PETRODOW"). AS PART OF THE  
CLAIMS SETTLEMENTS BETWEEN THE BANK OF AMERICA AND OPIC IN  
1973 AND 1974 WHEN OPIC PAID BANK OF AMERICA SEVERAL  
INSTALLMENTS DUE TO BANK OF AMERICA ON THESE TWO OPIC  
INSURED LOANS, THE BANK OF AMERICA AGREED TO SUSPEND THE  
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PAGE 02 STATE 241199

FILING OF CLAIMS AGAINST OPIC AND NEGOTIATE AN ASSUMPTION  
AND RESCHEDULING OF THE ARAUCO AND PETRODOW DEBTS WITH  
THE GOC, IN EXCHANGE FOR WHICH OPIC WOULD PLACE ITS  
COMPREHENSIVE NON-REDUCING GUARANTY ON APPROXIMATELY 75  
PERCENT OF THE AMOUNTS RESCHEDULED. THE TWO NEW RESCHEDUL-  
ED LOAN AGREEMENTS AND GUARANTY AGREEMENTS WERE SIGNED IN  
WASHINGTON ON SEPTEMBER 29, 1977. SINCE SEVERAL MINOR

DOCUMENTS REMAIN TO BE PREPARED AND SIGNED BEFORE THE MAJOR AGREEMENTS TAKE EFFECT, A CLOSING IS NOW SCHEDULED TO

CONCLUDE THIS ARRANGEMENT IN SANTIAGO ON OCTOBER 20, 1977.

2. HISTORY. IN 1972 AND 1973 THE BANK OF AMERICA FILED THREE CLAIMS WITH OPIC AFTER THE TWO ORIGINAL BORROWERS, ARAUCO AND PETRODOW, HAD DEPOSITED SUFFICIENT ESCUDOS WITH THE BANCO CENTRAL AND IT WOULD NOT CONVERT THESE ESCUDO DEPOSITS TO PERMIT ARAUCO AND PETRODOW TO REMIT DOLLARS TO MAKE THEIR PAYMENTS TO BANK OF AMERICA. ON JULY 27, 1973 OPIC PAID BANK OF AMERICA USD 3,010,272 TO COVER PRINCIPAL AND ACCRUED INTEREST ON THE INSTALLMENTS DUE FROM ARAUCO ON DECEMBER 31, 1971 AND JUNE 30, 1972. ON JUNE 18, 1974 OPIC PAID THE BANK OF AMERICA USD 2,633,876, REPRESENTING INSTALLMENTS OF PRINCIPAL AND INTEREST DUE FROM ARAUCO ON DECEMBER 31, 1972 AND JUNE 30, 1973. AT APPROXIMATELY THE SAME TIME, I.E., JUNE 13, 1974 OPIC PAID THE BANK OF AMERICA USD 463,207, REPRESENTING THREE SEMI-ANNUAL PAYMENTS OF PRINCIPAL AND INTEREST DUE FROM PETRODOW FOR THE PERIOD FROM DECEMBER 31, 1971, TO DECEMBER 31, 1972 AND SIX QUARTERLY INTEREST PAYMENTS DUE FROM PETRODOW FOR THE PERIOD FROM OCTOBER 1, 1971 THROUGH JANUARY 2, 1973.

3. DETAILS OF CLAIMS SETTLEMENT. THE CLAIMS SETTLEMENT UNCLASSIFIED

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PAGE 03 STATE 241199

ARRANGEMENT IS EXPECTED TO BECOME EFFECTIVE ON OCTOBER 20, 1977 AT WHICH TIME IT IS ANTICIPATED THAT THE TWO NEW RESCHEDULED LOAN AGREEMENTS AND ASSOCIATED OPIC GUARANTIES WILL GO INTO EFFECT. THE TOTAL AMOUNT OF THE OPIC GUARANTIES ON BOTH THE NEW PETRODOW AND THE NEW ARAUCO LOANS IS USD 5,266,370. THE INTEREST RATE ON THE UNDERLYING OBLIGATION IS 6 1/2 PERCENT. WITH RESPECT TO THE ARAUCO LOAN, AT THE TIME OF THE CLOSING, BANCO CENTRAL WILL PAY APPROXIMATELY USD 3.5 MILLION, REPRESENTING A 20 PERCENT DOWN PAYMENT, PAYMENT OF CERTAIN OVERDUE PRINCIPAL AND INTEREST AND REIMBURSEMENT OF CERTAIN FEES AND EXPENSES, SUCH AS LEGAL FEES, OPIC GUARANTY FEES AND OPIC INSURANCE FEES. THE SAME COSTS WITH RESPECT TO THE PETRODOW LOAN TOTAL APPROXIMATELY USD 800,000. THE FINAL PAYMENT UNDER BOTH THE NEW ARAUCO AND PETRODOW LOAN AGREEMENTS IS TO BE MADE ON DECEMBER 31, 1983. THE UNMATURED PORTIONS OF THE ORIGINAL PETRODOW LOAN AGREEMENT CONTINUE TO BE COVERED BY AN OPIC INSURANCE POLICY.

4. THE ONLY REMAINING OPIC CLAIM WHICH AROSE IN CHILE IS

THE FORD MOTOR COMPANY CLAIM, WHICH WAS FILED IN  
  
NOVEMBER 1972. THIS CLAIM HAS BEEN HELD IN A STATE OF  
SUSPENSION AT FORD'S REQUEST SO THAT IT COULD  
CONCLUDE NEGOTIATIONS WITH THE GOC. CHRISTOPHER

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## Message Attributes

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**Review Markings:**  
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